

Message Text

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DRAFTED BY EUR/SE:MBHIRSHORN:CF

APPROVED BY EUR/SE:WLEAGLETON

EB/IFD/ODG - MR BENEDICK

EUR/SE - MR LEDSKY

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FM SECSTATE WASHDC

TO AMEMBASSY ATHENS

C O N F I D E N T I A L STATE 035880

E.O. 11652: GDS

TAGS: IBRD, GR, ECON

SUBJECT: IBRD VIEWS ON GREEK ECONOMIC SITUATION

1. AS PART OF HIS PRE-DEPARTURE CONSULTATIONS, ATHENS
ECONOMIC-COMMERCIAL COUNSELOR DESIGNATE BENEDICK VISITED
IBRD REGIONAL VICE PRESIDENT FOR EUROPE, MIDDLE EAST AND
NORTH AFRICA, MUNIR BENJENK WHO REVIEWED IBRD POLICY TOWARD
GREECE. BENJENK POINTED OUT THAT BANK ACTIVITY IN GREECE
HAD NOT BEEN GREAT IN RECENT PAST -- APPROXIMATELY
DOLS. 40 MILLION PER YEAR -- AND GREEK ECONOMY HAD ABOUT
A YEAR AGO REACHED A STAGE WHERE IBRD WOULD NORMALLY HAVE
BEGUN TO PHASE OUT ITS LENDING. EVENTS OF PAST YEAR,
HOWEVER, HAD FORCED A RECONSIDERATION BECAUSE OF SPECIAL
CIRCUMSTANCES, AND BANK WAS PREPARED TO STEP UP ITS LENDING
FOR NEXT TWO TO THREE YEARS. BENJENK EXPECTED THAT FOUR
LOANS TOTALING APPROXIMATELY DOLS. 135 MILLION WOULD BE
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SIGNED WELL BEFORE THE END OF CALENDAR 1975. THESE ARE

HIGHWAY, EDUCATION, INDUSTRIAL DEVELOPMENT BANK AND AGRICULTURAL PROJECTS. BANK HOPES FOR QUICKER THAN USAL DISPERSEMENT RATE, UNDER THESE LOANS, PARTICULARLY THE IDB, IN ORDER TO HELP MEET GREECE'S NEAR TERM FOREIGN-EXCHANGE REQUIREMENTS.

2. BENEDICK SAID US AGREES WITH ANALYSIS OF GREECE'S CURRENT SITUATION AND SUPPORTS THE IBRD POLICY TOWARD GREECE. BENEDICK ALSO SPOKE TO GORDON BILLINGTON, CONCERNING HIS RECENT MISSION TO GREECE. BILLINGTON BELIEVED THAT POLICIES OF THE GREEK GOVERNMENT TENDED TO BE OVERLY CONSERVATIVE WITH EXCESSIVE PREOCCUPATION ON PROBLEMS OF INFLATION AND BALANCE OF PAYMENTS AT THE EXPENSE OF RESUMPTION OF AN ACCEPTABLE RATE OF GROWTH. BILLINGTON FORESAW ZERO GROWTH FOR 1975. WHILE THERE APPEARED TO BE NO SUBSTANTIAL INCREASE IN UNEMPLOYMENT AS YET, HE BELIEVED THAT INADEQUATE MEASURES WERE BEING TAKEN IN BOTH THE FISCAL AND MONETARY FIELDS TO STIMULATE EXPANSION IN 1975. BILLINGTON ESTIMATED A BALANCE OF PAYMENTS DEFICIT OF DOLS. 450 MILLION FOR 1975 AFTER TAKING INTO ACCOUNT NORMAL CAPITAL FLOWS. HE BELIEVED THAT INTERNATIONAL CREDITS (EIB, GERMANY, COMMERCIAL BANKS AND IBRD), ALREADY IN THE PIPELINE PLUS POTENTIAL DRAWINGS ON THE IMF WOULD COVER MOST OF THIS DEFICIT. HE SAW, HOWEVER, SERIOUS STRUCTURAL DEFICIENCIES IN THE GREEK ECONOMY, ESPECIALLY ITS LACK OF POLICIES TO EXPAND AGRICULTURAL PRODUCTION AND THOUGHT THERE IS CONSIDERABLE ROOM FOR ADDITIONAL ACTIVITY BY THE IBRD IN THIS AREA, WHICH, HOWEVER, IS HAMPERED BY THE CONSERVATIVE OUTLOOK OF THE AGRICULTURAL CREDIT BANK. INGERSOLL

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